



UNITED STATES SENATE  
**REPUBLICAN  
POLICY COMMITTEE**

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**How to Kill a Trade Bill**

## **President Bush Says Daschle TAA Proposals “Threaten Passage of TPA”**

Free trade is vital to America’s economic future. Lowering barriers to trade with other nations expands markets for American products and *creates* jobs for American workers. By encouraging free trade agreements with other nations, Trade Promotion Authority (TPA) legislation will lead to higher wages for American workers. While free trade creates new jobs, existing jobs are sometimes lost. For this reason Congress has focused the Trade Adjustment Assistance (TAA) program on retraining workers who lose their jobs to foreign competition and placing them into new jobs.

Yet the Daschle Trade Adjustment Assistance (TAA) proposal (part of the Daschle substitute amendment #3386 to H.R. 3009), as it was introduced May 1, is a drastic departure from the intent and history of the TAA program. It includes costly new entitlements never before included in TAA – and never considered in the ongoing bipartisan Finance Committee negotiations. [Opposed by the Bush Administration](#), it politicizes a program that has always enjoyed bipartisan support. Even prominent Democrats have taken exception to the amendment and to [Senator Daschle’s lack of respect for the committee process](#). Finance Committee Chairman Max Baucus [said](#):

“I did not agree with the way this bill was put down. I think it would be better if we could work on a bipartisan basis.”

Finally, in laying down such a controversial measure, Majority Leader Daschle imperiled another initiative that enjoys broad bipartisan support: Trade Promotion Authority (TPA).

### **Bush Administration Opposition**

On May 8, 2002, the Office of Management and Budget released a [Statement of Administration Policy](#) detailing the Bush Administration’s opposition to the Daschle TAA proposal. It reads in part:

“The Administration strongly opposes the TAA proposal in the Daschle Substitute Amendment. The expansions in the Daschle Substitute severely distort the primary

purpose of the programs and hinder the ability of workers legitimately affected by trade to receive the assistance they need. The Administration is concerned that the Daschle Substitute is very costly, increasing the size of the programs by at least 300 to 400 percent. These expansions are so extensive and overreaching that they threaten passage of TPA and an improved, effective TAA program. . .

“Finally, while the Administration understands that there may be a need to address certain categories of workers who do not currently qualify for TAA benefits, the unprecedented expansions in the Daschle Substitute go too far. The Substitute adds major new categories of coverage that will be difficult to administer, many of which have questionable links to trade. These expansions could severely interfere with access to existing benefits for workers truly impacted by trade.

“The Administration urges Congress to address these concerns and quickly reauthorize and improve the TAA programs. Authorization for these programs expired in September 2001, and the Administration is concerned that delay in reauthorizing these programs could seriously impair states’ ability to continue existing services. The Administration looks forward to working with Congress to ensure their speedy reauthorization.”

(Administration criticisms of specific portions of the Daschle TAA proposal follow.)

### **Expanding an Entitlement Beyond Reason**

TAA benefits are an entitlement currently available only to workers who are directly impacted by trade. The Daschle substitute would eliminate the requirement that workers be directly impacted by trade in order to qualify for the entitlement. It therefore would expand the pool of eligible workers well beyond the intent of TAA.

- Under the Daschle amendment, taxpayers would pay TAA benefits to **attorneys, accounting contractors, payroll contractors, and consultants**.
- The Daschle amendment would entitle these workers to TAA benefits even if the blue-collar workers they serve, who are directly impacted by trade, never receive a dime.
- Worse, taxpayers would be forced to pay to retrain **workers who were fired, voluntarily quit, or who are still employed** by the affected firm.

In addition, the Daschle amendment expands the entitlement to include workers in any firm that moves production abroad (current law covers only firms that move production to Canada or Mexico), and specifically includes job categories that have never been part of TAA.

## **Delayed Work, Ineffective “Training,” and Unfair Subsidies**

As the Bush Administration [notes](#), “The primary objective of TAA programs is to provide training and assistance for trade-impacted workers to help get them back to work as quickly as possible.” TAA can provide no greater benefit to workers than preparing them for the new opportunities created by increased trade. Yet the Daschle amendment would make training programs less helpful for workers and more costly for taxpayers. Further, it would delay workers’ reentry into the workforce.

The Daschle amendment would encourage ineffective training programs by eliminating current-law requirements that programs be of a reasonable cost and convey skills that actually help workers get a job.

- Under the Daschle amendment, **taxpayers would be required to fund “training” programs irrespective of their cost or whether they give workers marketable skills.**
- The amendment even would require taxpayer funding of any training program where anyone else picks up any part of the tab.

While the Daschle amendment would waste taxpayer dollars, the injustice done to taxpayers is minuscule next to the injustice done to the workers who participate.

Displaced workers often must go where the jobs are. While the Daschle amendment would increase subsidies to those who must search beyond their immediate area for work, it undermines this provision by diminishing the incentive to look for work.

- **The Daschle amendment would delay many workers’ decisions to obtain training and re-enter the workforce** by lengthening the duration of the cash benefit entitlement from one-and-a-half years to two years.

Another provision – a new wage subsidy entitlement for older workers – on the surface seems to encourage workers to re-enter the workforce. The amendment would augment the wages of certain TAA-eligible workers if their new job pays less than their old job. However, this program is wildly unfair to other workers.

- Under this proposal, two colleagues could be working the same job and earning the same salary, but one would be earning an extra \$10,000 over two years simply because he lost a previous job to trade competition. **In effect, this amendment would tax the first worker to pay an income supplement to the second.**

While some provisions of the Daschle amendment are unwise, this proposal fails even a simple test of fairness.

## **Health Coverage: Restricted Choices – Help for Few**

Historically, TAA has never provided workers with health benefits. In February, the Finance Committee reported S. 1209, which would provide a direct federal subsidy for certain TAA-eligible workers' health premiums, and would encourage states to offer Medicaid coverage to other TAA-eligible workers. The Daschle amendment abandoned this [ill-advised](#) approach, yet still offers eligible workers little more than a straitjacket. The Daschle amendment would offer TAA-eligible workers (and steel company retirees, see below) a highly restrictive tax credit for the purchase of health insurance. The advanceable, refundable credit would cover 73 percent of the cost of a select few health insurance products.

The Bush Administration criticized the Daschle credit:

“The health insurance credit proposed in the substitute is not an effective approach to help workers obtain health coverage that best suits their needs. Despite the high cost of the substitute to the federal government and new mandates on states and businesses, many workers would have few, if any, choices of coverage. Among other things, the substitute prohibits use of the credit to obtain coverage in the individual market, and will even force some TAA-eligible workers to give up their existing individual coverage. Allowing trade-impacted workers greater flexibility to use the credit is one way to lower the cost of providing coverage and to enable more workers to obtain the coverage they need, without disrupting employer group insurance.”

Here's why the Daschle credit would fail to help workers:

- **The Daschle credit could not be used for individual health insurance chosen by workers.** Nearly all TAA-eligible workers who buy coverage in the individual market would be ineligible for the Daschle credit. Instead, it would confine nearly all eligible workers to their former employer's coverage or public and private health insurance pools.
- A hypothetical example provided by the National Association of Health Underwriters illustrates why **this restrictiveness means the Daschle amendment would do nothing for many workers it purports to help.** A TAA-eligible single mother of two children in Arkansas can buy non-PPO coverage on the individual market for \$212 a month. Rather than let her apply the 73-percent credit to this coverage (and reduce her payment to \$57 a month), the Daschle amendment would require her to apply the credit to her former union plan. In Arkansas, continuing coverage through a typical union plan costs \$765 per month. With the Daschle

credit, her monthly payment (\$207) would be roughly the same as what she could purchase on the individual market without assistance, leaving her no better off.

- **The limited cases where workers could choose their coverage are still grossly unfair.** A worker who purchased individual health coverage for five months before losing his job could not use the Daschle credit to continue his coverage – he would have to switch plans to use the credit. Only workers that had individual coverage for six months prior to losing their job could use the Daschle credit in the individual market.

The only other option available under the tax credit would be to purchase insurance through public or private pools.

- Many of the pools envisioned by the Daschle amendment would take years to start, leaving workers with fewer choices. The pools would be (and would have to be) subsidized heavily with taxpayer funds. While states are creating these pools, the amendment would encourage states to subsidize directly the insurance premiums of some workers – **a dangerous precedent that would permit an unacceptable level of government control over workers' health insurance.**

In the end, the Daschle amendment's promise of continued health coverage for workers is little more than a chimera.

**Steel Workers.** In a major departure from both TAA history and the bipartisan Finance Committee negotiations, the Daschle amendment would extend its health care entitlement to steel retirees. The [Bush Administration](#) has taken strong exception:

“The Administration opposes the Daschle Substitute's last minute addition of health insurance assistance for steel retirees. . . . TAA has never been a retirement program, and the needs of steel and other retirees should be addressed in a different forum with the benefit of proper committee consideration. A rough estimate suggests that adding steel retirees to TAA programs could potentially cost more than \$800 million per year – almost twice the entire cost of the current programs. This would divert resources away from the primary purpose of the TAA programs – retraining and re-employing individuals still in the workforce. This late addition of unrelated issues complicates earnest bipartisan efforts to reach agreement on trade legislation.”

## **Increased Bureaucracy**

The Daschle amendment creates a new bureaucracy at the Department of Commerce. At the same time the Daschle amendment expands the entitlement to TAA benefits, it shortens from 60 to 40 days the time in which the Labor Department must determine whether these workers are eligible – a

requirement certain to beget more errors. In addition, it places unnecessary and burdensome reporting requirements on states.

## **Tripling the Cost of TAA**

Estimates released by CBO and the Joint Committee on Taxation (JCT) reveal the cost of TAA would soar under the Daschle amendment. While, according to the Congressional Budget Office (CBO), TAA funding will reach \$425 million in 2002:

- The Daschle amendment would double the cost of TAA in one year. By next year, TAA spending would reach \$727 million, while the amendment's health care provisions would reduce tax revenue by \$354 million.
- **Under the Daschle amendment, spending under TAA would *triple* to \$1.3 billion in five years.**

The Daschle amendment also would increase taxes (by extending customs fees), thus CBO and JCT estimate it would reduce the deficit by \$882 million over five years.

## **How to Kill a Trade Bill**

As he has with [so many other important pieces of legislation](#), Senator Daschle has taken two initiatives with wide bipartisan support – Trade Promotion Authority and Trade Adjustment Assistance – and politicized them. The Senate should reject this approach, split the two pieces of legislation, and consider each with workers – rather than politics – in mind.

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